

INVESTORPLACE

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# HOW TO AVOID THE 2019 MARIJUANA STOCK APOCALYPSE

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# How to Avoid The 2019 Marijuana Stock Apocalypse...

## And Make a Fortune in Its Aftermath

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Dear Reader,

What a difference five years can make...

In October 2014, I went on Fox Business and pounded the table on cannabis-industry investments.

I believed cannabis, after being banned by the government for decades, was about to enjoy a wave of legalization... which would create stupendous investment opportunities for those bold enough to act.

I'll never forget the reactions of my esteemed colleagues. The so-called experts on the panel at the time dismissed my analysis. They laughed and made comments like, "You'd be better off owning the makers of Frito-Lay and Doritos."

After all, this was only a few months after Colorado voted to make recreational marijuana legal... the first U.S. state to do so.

Now, of course, the landscape is totally different.

Today, legal cannabis is the fastest-growing industry in America, and numerous cannabis stocks have soared more than 2,000% since my big call in 2014.

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Since then, I've gotten to know many of the most important players in the cannabis industry. I've also personally invested in private marijuana deals, which have produced some stunning successes. My name seems destined to be linked to calling the marijuana stock bull market very early in the game.

My colleagues even nicknamed me “The Original Marijuana Stock Bull” and “Weed Stock Jesus.”

I'm not one to toot my own horn, but I'm flattered to be considered one of the earliest and most plugged in marijuana investors. I'm thrilled to have helped regular Americans make loads of money in the cannabis markets.

My personal history in this market might make what I have to say about marijuana stocks utterly shocking to most people:

**I believe a huge swath of marijuana investors — potentially millions of people — are about to get wiped out in weed stocks.**

Some of my longtime readers will think I've lost my mind. But after I lay out my analysis, I'm confident you'll agree with me: Many weed investors are about to suffer huge losses.

In this report, I'll walk you through my thinking... urge you to avoid the most toxic popular marijuana stocks... and steer you towards the absolute best weed stocks that will survive and thrive during the coming “Marijuana Stock Apocalypse.”

## **History Repeats Itself**

Medical marijuana has been legal in California for more than 20 years, and it's available in 33 states today.

In the 19th century, it was actually MORE widely available — and common.

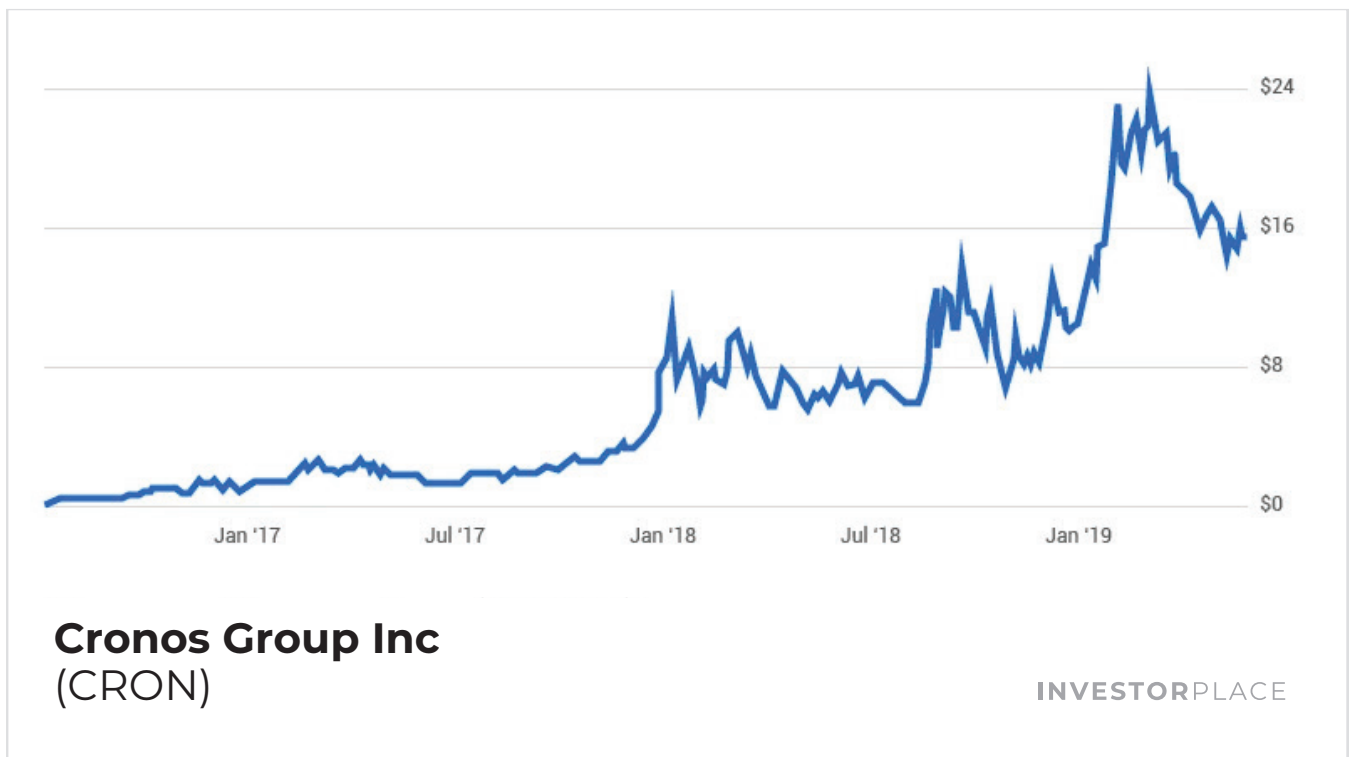
Then the field was narrowed considerably as recreational use was introduced by immigrant populations...suffered backlash from xenophobes...got played up in the tabloids... and triggered various “Reefer Madness” scares. Regulations and restrictions rolled in from 1906 until 1970. Under pressure from President Richard Nixon, Congress placed it at the top of its restricted list, as a Schedule I controlled substance. That means it's in the same category as heroin and LSD.

Now that the marijuana legalization wave has been going on for years, the free market has responded to this amazing opportunity.

In 2015, the legal marijuana market was \$5.4 billion. In 2017, that market exploded 57.4% to reach \$8.5 billion. And in 2018, it was worth \$10.4 billion. Numbers are useless without perspective, so here you go: That was more money than was spent on ice cream!

Given that level of growth, it's no wonder so many weed stocks have exploded.

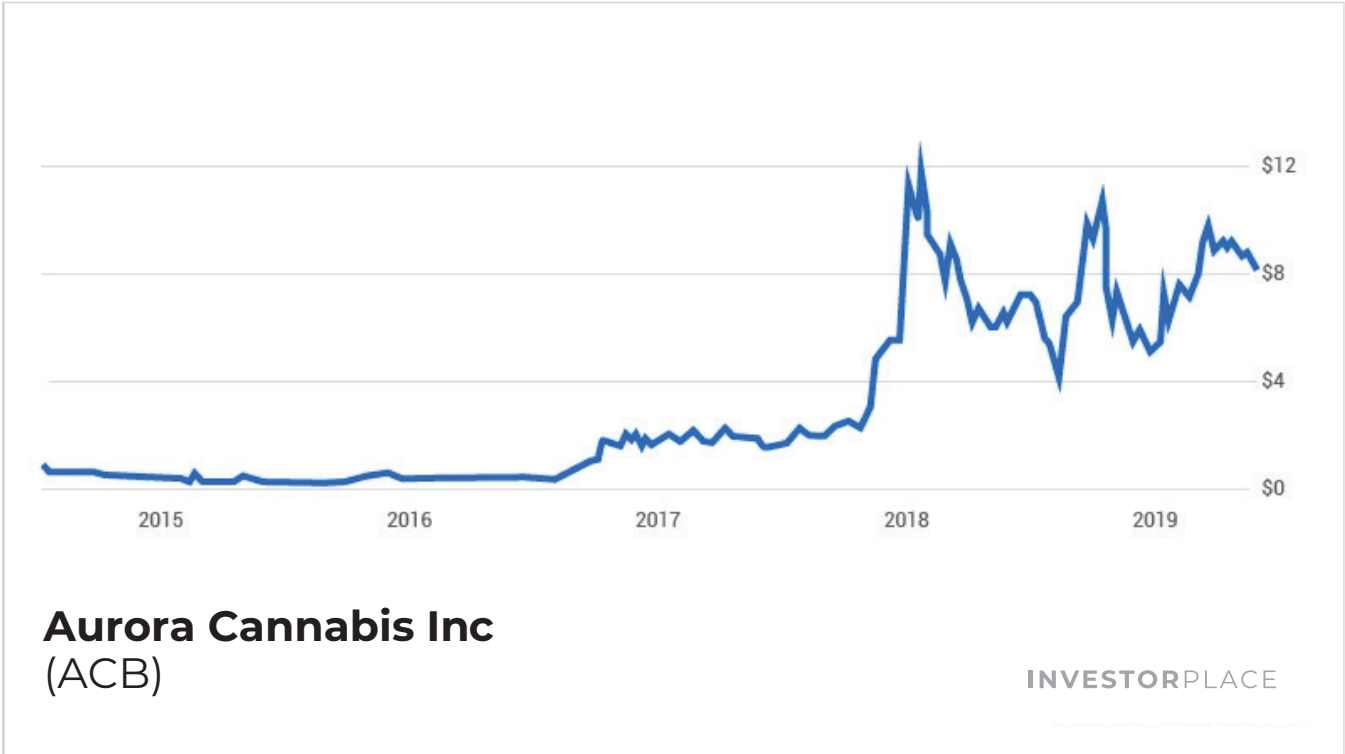
Cronos Group has exploded more than 6,300% since 2016, when it traded for as little as \$0.24.



In 2014, Canopy Growth was trading for \$2.49. Since then it has skyrocketed more than 1,800%!



In 2016, Aurora Cannabis traded for \$0.30 a share and has since exploded more than 2,500%



After all that, I believe our own “narrowing of the field” is upon us. In the end, it’ll cause many marijuana shareholders to suffer huge losses.

# Why So Many People Will Get Crushed in Marijuana Stocks

What exactly is a “narrowing of the field”... and why is it so dangerous?

If you study American business history, you’ll see the “narrowing of the field” pattern play out over and over and over.

In the early days of an industry with huge potential, there’s always hundreds of companies competing with each other for market share and the extreme wealth that comes with it.

Let’s take the early days of automobiles as an example. In the early 1900s, more than 100 automakers tried to become industry leaders. However, just a handful of winners, like General Motors (GM) and Ford Motors (F), survived and gobbled up the majority of the market. They drove their competitors out of business and purchased their assets and brands for pennies on the dollar.

While most automaker shareholders lost it all, GM and Ford shareholders made fortunes.

We also saw a “narrowing of the field” with internet commerce stocks during the late 1990s and early 2000s.

During the internet’s early days, hundreds of companies competed for share of the potentially huge internet retail market.

However, just a handful of mega-winners, like Amazon (AMZN), survived and gobbled up the majority of the market.

While most internet retail business shareholders lost big, AMZN shareholders made over 10,000% gains.

You can visualize this “narrowing of the field” as an inverted pyramid. During the early days of a promising industry, you have hundreds of companies competing to be the winner.

But as time goes on, the companies with the best products, the best customer service, the best balance sheets, and the best business plans begin to get stronger and stronger relative to their competitors. The stronger companies are able to invest more in their businesses... and they often

undercut competitors on price. This drives the weaker competitors out of business.

Eventually, this cycle ensures that only a handful of winners emerge... like General Motors, Ford, and Chrysler did in the automotive industry... like Amazon did in the online retail industry... and like Microsoft (MSFT) and Oracle (ORCL) did in the software industry.

Here's what that inverted pyramid of brutal competition and "killing off the weak" looks like...

Now that the very earliest days of legal marijuana are over, I believe we're about to see a narrowing of the field. The strongest marijuana companies will survive and thrive... and they will cripple and then kill their competitors. The capitalist "law of the jungle" will ensure weak marijuana industry players and their shareholders will suffer huge losses. I believe this phenomenon will start in earnest this summer.

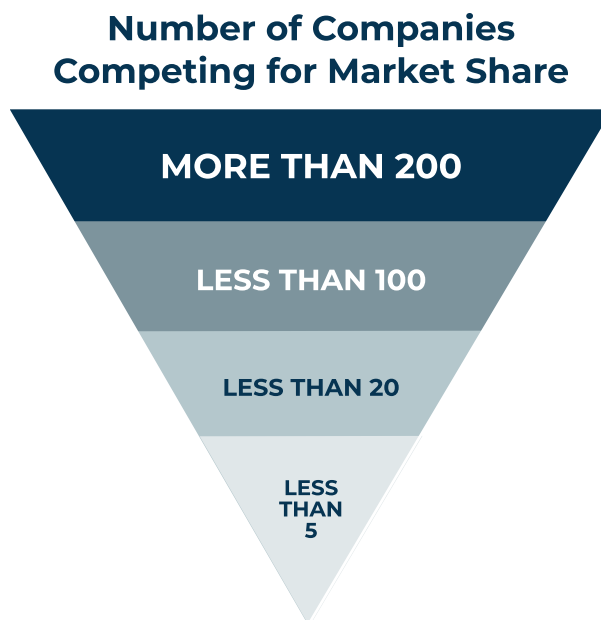
Below, you'll find details on four of the most popular — yet vulnerable — weed stocks in the market. During the Marijuana Stock Apocalypse, their values could plunge by at least 50%. Please review this information and make sure you don't own these stocks (and consider the two buys I cover later instead!).

## The Four Pot Stocks You Can't Afford to Own

**Tilray** (TLRY) produces medical cannabis for research and public consumption. Most importantly, it was the first "pure play" marijuana company to IPO on an American exchange — and ultimately the poster child of a minibubble. In August/September 2018, the stock rallied from \$21.50 to \$300 in six weeks. Since that time, the stock has lost 78% of its value...and it's still overvalued.

The \$3.7 billion company is one of the largest in the world, but the numbers do not support the valuation. Even if the company can reach analysts' sales target for 2019, the stock is one of the most expensive of the big names. Sales are expected to increase to \$185 million this year and that still has TLRY trading at a whopping 20 times forward sales.

Add in the fact that Tilray has been on a buying spree the last year and is likely in need of more



cash — and things look dire in the near term. Another capital raise for the company will continue to dilute shareholders... and eventually the combination of interest payments and cost of goods sold will eat into sales. Avoid Tilray until the underlying valuation is cut in half, at which point the stock could have been cut in half, too.

**MedMen Enterprises** (MMNFF) garnered big headlines when it went public in May 2018. The popular U.S. retailer is known for its high-end medical marijuana and CBD dispensaries, mainly throughout California. Unfortunately for shareholders, the experience of owning shares of MedMen is not as good as the one you get visiting one of its retail locations.

I could delve into the financial issues I have with MedMen and the grave underperformance of the stock, but there are even bigger problems. Earlier this year the CFO left the company and filed a lawsuit against MedMen that alleged insider enrichment without proper disclosure. While the company is losing millions, the executives are taking home over \$10 million in compensation.

A quick note on fundamentals: The company had a combined operating loss of \$125 million over the last two quarters. Considering the company had cash and equivalents of \$78.2 million at the end of 2018, that's a concern.

Even though the stock is down big and trading under \$3 per share, there is still even further downside risk for MMNFF.

**Cronos Group** (CRON) may not be a household name for most investors, but this Canadian business is one of the largest marijuana companies in the world. It first made headlines in February 2018 when it became the first marijuana stock to list on the NASDAQ, and by August it had attracted some big money.

That deal with Agroidea SAS — a leading agricultural service provider in Colombia — allowed CRON to expand into South America. The partnership will manufacture and export cannabis-based medicinal and consumer products for South America and the rest of the world.

Since then the stock has had a good, solid rally, but it is time to open your eyes and look at the numbers. The few marijuana stocks that have been able to make the jump to a major U.S. stock exchange have enjoyed the benefits of trading alongside Google (GOOGL), Apple (AAPL) and the like. The problem I have with Cronos is very specific — valuation.



The \$4.7 billion Canadian company does not have the sales to back up the valuation. After reporting sales of \$15.7 million in 2018, Wall Street is expecting the company to generate revenue of \$40.1 million and \$140 million in 2019 and 2020, respectively. That is impressive growth, but on a price-to-sales measurement, the stock trades at 117.2 times 2019 sales and 33.5 times 2020 projections. Any way you look at it, the stock is one of the most expensive in the entire industry.

**Terra Tech** (TRTC) is a small marijuana company based in the United States that was a favorite of early investors in the sector. The company is vertically integrated in the marijuana industry, with both a cultivating and a retail presence in California and Nevada. Companies in the vertical business model will eventually have to either learn to increase margins or go by the wayside as the bigger names take over the industry. I believe Terra Tech will be left behind.

In 2018, the company saw its sales decline year-over-year. That is not an easy feat to achieve in the booming marijuana business.

Not only are the fundamentals at the company lackluster, it's being accused of defrauding a major investor, who filed suit in a Nevada court in December for 50 counts of fraud, conspiracy, breach of contract and breach of fiduciary duty. Stay away from this penny stock.

## **Two Marijuana Leaders That Will Survive and Thrive During the Pot Stock Apocalypse**

**Canopy Growth** (CGC) is the largest marijuana company in the world, already worth \$14 billion from its current Canadian operation — and it's got plans to expand into the United States the moment the ink is dry on a marijuana legalization law.

CGC went public five years ago in April 2014 on the Toronto exchanges, and since then it's a great example of a stock that could have made average investors a lifetime of profits.

Now it's also delivered one of the most important developments in the U.S. marijuana industry, as well. Just before Easter this year, Canopy announced its intention to buy a U.S.-based marijuana company called Acreage Holdings.



Acreage already operates in 20 U.S. states, and was one of the first to tackle the East Coast market. Founder and CEO Kevin Murphy is a Wall Street transplant — and incredibly well-connected. Acreage’s board includes three of the most important people on the planet: former U.S. Speaker of the House John Boehner, former Massachusetts governor and current presidential candidate William Weld, and former Prime Minister of Canada Brian Mulroney.

Acreage has another advantage: the ability to manufacture and distribute on a national scale. That’s thanks to its late-2018 acquisition of Form Factory, which Acreage describes as an “unrivaled cannabis product manufacturing and distribution platform.”

Canopy has already created billions in wealth for its shareholders, as you can see in the chart above. Imagine what it can do as the biggest player in the much-larger U.S. market.

But if you ask me what’s the one smaller pot stock to watch, I’ll always say **Charlotte’s Web** (CWBHF).

The company has its roots in providing a “miracle cure” for a sick little girl. Charlotte Figi was just three months old when she had her first seizure. It was a grand mal seizure, the most serious kind, and it lasted 30 minutes. That was only the beginning. By age five, having been diagnosed with Dravet Syndrome, Charlotte was having up to 300 grand mal seizures per week.

It was around this time that Charlotte's grandfather discovered that cannabidiol (CBD) oil had helped another child who also had Dravet Syndrome. Desperate for help, the family reached out to medical marijuana growers, who soon became the founders of Charlotte's Web.

Charlotte's family were stunned at the immediate change. Her seizures didn't go away completely, but the number fell dramatically — from 300 per week to just two to three per month. Charlotte's life was completely changed. The government and medical industry have been slow to embrace the evidence, but Charlotte has become one of the reasons the legalization of medical marijuana is sweeping the globe.

On Aug. 30, 2018, the company announced that it had closed its IPO in Canada and raised \$100 million through a secondary offering. On that same day, the company began trading as a public company on the Canadian Securities Exchange (CSE) under the symbol CWEB. In September, it started trading on the U.S. OTC market under the symbol CWBHF.

Charlotte's Web is the absolute best-positioned stock in the CBD oil market. It stands out from its peers for its ability to be the leader in this high-growth industry.

Revenue for 2018 came in at \$69.5 million, and analysts believe the next three years will bring in revenue of \$164 million, \$352 million, and \$469 million. That would be impressive growth, and we can still buy at attractive prices. Based on the current market cap of \$1.3 billion, Charlotte's Web is undervalued versus its peers — and investors are now able to purchase shares on the Toronto Stock Exchange, under ticker symbol CWEB... both of which add to the already big upside potential.

A rally in early April turned CWBHF into a double for readers of my Investment Opportunities who got into the stock on my original recommendation. The shares have pulled back since the high on April 4, but for the fundamental reasons I just shared, the weakness is creating a buying opportunity in one of the most attractive stocks in the entire market.

## **Summing Up**

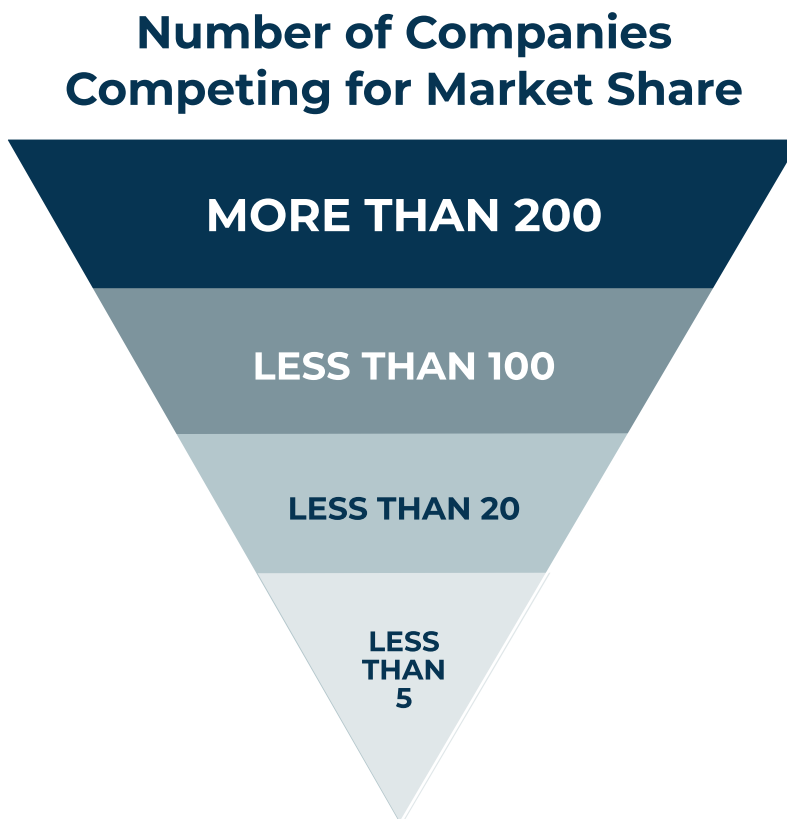
So now that you know some of the pot stocks I DO like now, let's take another look at that inverted pyramid from a fresh perspective:

The narrowing of the field will be an "apocalypse" for the weaker majority of pot stocks...

...that's just the law of the jungle.

But it is a gold mine for the strongest few left standing.

I've got my own system for identifying those strongest few — and I've got a full briefing for you on



my methods and what my research is turning up.

## **It's time to start living your dreams with the Investment Opportunities strategy**

As a reader of ***Matt McCall's Investment Opportunities***, you'll get my complete breakdown of the four best stocks to buy now... how much to buy them for... and everything else you'll need to make the most money possible BEFORE the U.S. government ends the "War on Weed."

It may be decades before we get another chance like this, to get in at the very front of a major multibilliondollar transformative shift...

I've spent a lot of time and effort on this project because I don't see an easier way to turn a tiny sum of cash into an absolute fortune over the next three to five years... as this industry explodes into the mainstream...

I hope you remember this moment for the rest of your life... the moment that changed everything.

Years from now you'll be able to look back and tell friends and family you saw this trend coming and understood the impact it would have, and how you were able to make a fortune off it.

Don't wait a minute longer!

Become a member of Matt McCall's Investment Opportunities today and access all of the information you need to learn how to make smart and life-changing investments in the surging marijuana boom.

**START MY RISK-FREE TRIAL SUBSCRIPTION**



Matt McCall

Editor, *MoneyWire*

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